

IRS ISSUES FALL 2000 STATISTICS OF INCOME BULLETIN

WASHINGTON -- Adjusted gross income (AGI) reported on individual income tax returns for tax year 1998 reached \$5.4 trillion, 9.0 percent more than for 1997, according to final 1998 statistics released today by the Internal Revenue Service.

The principal source of income reported on 1998 returns continued to be salaries and wages, but there were major increases or decreases in some of the other sources of income. For example, capital gains increased 25.3 percent to \$446.1 billion, but dividends received decreased 1.7 percent to \$118.5 billion. On the other hand, taxable interest grew only 3.9 percent to \$178.3 billion. Statutory adjustments to AGI included the new deduction for student loan interest, taken by 3.8 million taxpayers and amounting to \$1.7 billion. All of these statistics are included in the fall 2000 issue of the quarterly *Statistics of Income Bulletin*, which has just been published.

The *Bulletin* further reports that the total of standard and itemized deductions for 1998 grew 6.9 percent over 1997-- standard deductions by 4.0 percent to \$459.5 billion and itemized deductions by 9.0 percent to \$676.5 billion. Interest paid, mostly home mortgage interest, was the largest itemized deduction at \$271.6 billion, up 8.4 percent, followed by taxes paid at \$241.8 billion, up 9.6 percent. Charitable contributions showed the largest percentage increase, 10.1 percent, to \$109.2 billion.

Total individual income tax (after tax credits), including the alternative minimum tax, increased from \$731.3 billion to \$788.5 billion. The alternative minimum tax grew 25.2 percent over 1997 to \$5.0 billion. There were 853,000 taxpayers with this tax, compared to 618,000 for 1997. For 1998, total individual income tax (after credits) was 14.6 percent of AGI, down from 14.7 percent the year before.

Total tax credits (excluding the earned income credit) subtracted from the regular individual income tax more than doubled over 1997. This was due to the introduction of the child and education credits. The child credit totaled \$15.1 billion and was reported by 24.8 million taxpayers, while the education credit totaled \$3.4 billion and was reported by 4.7 million taxpayers. The total earned income credit for 1998 was \$31.6 billion. This was 4.0 percent more than 1997, with 19.7 million low-income taxpayers claiming the credit.

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A second article deals with partnership returns for 1998. The number of partnerships, their total assets, receipts, and net income all increased over 1997. The number of partnerships increased 5.5 percent to 1.9 million, although the number of partners dropped over 3.2 percent to 15.7 million. Total assets reported by partnerships grew 22.9 percent to \$5.1 trillion, total receipts 17.2 percent to \$1.8 trillion, and total net income 11.0 percent to \$186.7 billion. Of total net income, general partnerships reported \$72.7 billion and limited partnerships reported \$66.3 billion. Limited liability companies reported most of the remainder. Over half of all partnerships were classified in the finance, insurance, real estate and leasing group, with real estate predominating by far. For 1998, total income less deductions available for distribution or allocation to partners was \$305.6 billion.

Two articles deal with tax-exempt organizations, one on domestic private foundations and charitable trusts for 1996-1997, and the other on charities and certain other tax-exempt organizations for 1997. (Charitable trusts, while not tax-exempt, also make charitable distributions and are subject to the same rules as private foundations.) The 55,000 domestic private foundations contributed \$16.4 billion to charitable activities in 1997, a 13.1 percent increase over 1996. Their total revenue was \$55.5 billion on assets totaling \$342.7 billion. In contrast, the 3,000 charitable trusts reported total revenue of \$0.6 billion on assets totaling \$4.7 billion. Charities other than private foundations that were required to file information returns with the IRS numbered 199,000 for 1997. They reported total revenue of \$754.6 billion on assets totaling \$1,439.0 billion.

A fifth article deals with the nearly \$1.0 trillion in tax-exempt state and local government bonds issued during 1991-1995. About 75 percent of this amount were long-term, with maturity of at least 13 months. The \$719.2 billion in long-term issuances were split between new money issues (52.3 percent) and refunding issues (47.7 percent). Nearly half of the \$376.3 billion in new money long-term bonds were issued in California, New York, Texas, Illinois, Florida and Pennsylvania. More than 25 percent of these bonds was for educational purposes.

The final article covers Interest-Charge Domestic International Sales Corporations, or IC-DISC's, for 1996. These corporations were designed to promote U.S. exports abroad, but the U.S. tax benefits they generated were somewhat limited and an interest charge for tax-deferred amounts was imposed on controlling shareholders. There were 773 such corporations for 1996, compared to 980 for 1991, when statistics were last compiled. However, their gross receipts increased 30 percent over this time, from \$3.5 billion to \$4.6 billion. Tax-deferred income reported to shareholders remained about the same at \$0.5 billion, while actual distributions to shareholders more than doubled to \$0.3 billion.

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The fall 2000 *Bulletin* also includes historical data on income, deductions and tax reported on returns filed by individuals, corporations and unincorporated businesses, with selected data presented for estates. In addition, the *Bulletin* presents statistics for recent years on tax collections, including excise taxes by type, and tax refunds. Projections of tax returns to be filed are also provided.

The *Statistics of Income Bulletin* is available from the Superintendent of Documents, U.S. Government Printing Office, P.O. Box 37954, Pittsburgh, PA 15250-7954. The annual subscription rate is \$35 (\$43.75 foreign); single issues cost \$22 (\$27.50 foreign). For more information about the data, write the Director, Statistics of Income (SOI) Division, N:ADC:R:S, Internal Revenue Service, P.O. Box 2608, Washington, DC 20013-2608, check the World Wide Web at www.irs.gov/tax_stats, or telephone the SOI statistical information services office at (202) 874-0410, by fax (202) 874-0964.

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Editor's note: See attached Statistics of Income order form.